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The Wealth of Canadians: An Overview of the Results of the Survey of Financial Security

2005

by Pensions and Wealth Surveys Section

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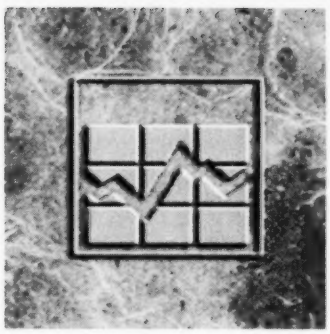

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Pension and Wealth Research Paper Series

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Key findings

Median net worth increases

The median net worth of Canada's estimated 13.3 million family units amounted to $148,400 in 2005, a 23.2% increase from 1999, after adjusting for inflation. Favourable economic conditions, a strong real estate market and a rebound in the Canadian stock market contributed to the overall increase.

The increase in net worth was not shared equally among all families. The survey ranked family units into five groups or quintiles from lowest net worth to highest. Each represented 20%, or one-fifth, of all families.

Gains in median net worth were seen in all but the lowest wealth quintile since 1999. Increases were highest in the fourth and top wealth quintiles. This signifies increased inequality in Canada's wealth distribution. The 20% of family units with the highest net worth held 69.2% of all personal wealth in the country in 2005.

Real estate assets increase in value, as do employer pension plans

Total assets, everything from pension assets, stocks and bonds to principal residences, amounted to over $5.6 trillion, nearly 1.4 times the estimate of $3.9 trillion in 1999. The single most important asset for Canadians was their principal residence, accounting for one-third of the total. This was followed by employer pension plans (EPP), which represented almost 18.5% of all assets.

The increase in the market value of real estate was the major contributor to the growth of total assets of Canadian families between 1999 and 2005. Real estate accounted for almost 50% of the increase with gains largely attributable to price increases as well as an increase in the number of families holding this type of asset (+13.6%). A significant change in the composition of assets between 1999 and 2005 was the growth in the amount invested in real estate such as cottages, timeshares, rental properties and other commercial properties. The aggregate amount in this type of real estate was roughly 1.8 times larger in 2005 than in 1999 amounting to almost $481 billion from $266 billion, in constant 2005 dollars. This was by far the largest rate of growth of any single asset.

Assets held in private pension instruments such as employer pension plans, Registered Retirement Savings Plans (RRSPs) and Registered Retirement Income Funds (RRIFs), were the second largest contributor. The increase in this category was largely driven by the sharp growth in the value of EPPs.

According to the Pension Plans in Canada survey of January 1, 2005, there were more than 15,000 EPPs in Canada covering 5.7 million members. Since 1999, membership has risen steadily, increasing by 11.4%.

Seven in 10 family units had some form of pension assets

About 9.4 million family units, or 70.6% of the total, had some form of pension assets in 2005, whether they were EPPs, RRSPs or RRIFs. In total, pension assets peaked for family units in which the major income recipient was aged between 55 and 64.

In 2005, these family units, which would have been approaching retirement or just recently retired, had total median pension assets of $242,500. This was well above the median for all family units of $68,000.

About 58% of family units had RRSPs, RRIFs or Locked-in Retirement Accounts (LIRAs) in 2005. The median value of these plans was $30,000.

Just under one-half (48.6%) of family units had assets in employer pension plans. The median value of those assets was a much larger $68,300.

Debt load: Mortgages still account for lion's share

Canadians had debts estimated at $760 billion in 2005, three-quarters of which took the form of mortgages. This represented a 43.3% increase from 1999. This increase can be explained by both the rise in cost to purchase a home and the increase in the number of families who owned their principal residence with a mortgage (+16.6%). The median value of mortgages in 2005 amounted to $93,000, up 17.0% from about $79,500 in 1999.

Debts from lines of credit amounted to roughly $68 billion in 2005, about 9% of the total. Loans on owned vehicles amounted to about $46 billion, or 6.1% of the total. Canadian family units held almost $25.8 billion in outstanding credit card and installment debt, or 3.4% of the total, while student loans approached $20 billion.

Outstanding credit card and installment debt was up 58.4% from $16.3 billion in 1999. The median credit card and installment debt rose to $2,400 in 2005.

Almost 11 million Canadian families reported owning a credit card in 2005. Of the over 2 million family units that reported not owning one, nearly 19% of these families were refused this type of credit. Nearly 73% of families who had credit cards reported they pay off their balances each month. The median credit limit on all credit cards owned was $10,000.

Lines of credit increasing

A notable development over the six-year period was the growth in outstanding line-of-credit debt, which surged 2.3 times. At the same time, the number of family units with line-of-credit debt increased almost 77% to 3.3 million. Almost a quarter (24.9%) of all families had a line-of-credit debt in 2005, compared with 15.4% in 1999. The median debt in this form rose from $5,800 to $9,000. Much of the increase was secured by residential assets in the form of home equity lines of credit.

Rise in median debt load for families

The median debt load for family units rose 37.8% from $32,300 to $44,500 between 1999 and 2005. Canadians had an estimated $13.52 in debts for every $100 in assets in 2005, up from $13.06 in 1999. However, the debt burden was much higher for certain family types, such as lone-parents families ($28.32 per $100), and couples with children under 18 ($20.03 per $100).

Family units headed by someone under 35 carried the highest debt load, $39.40 for every $100 of assets, up 17.2% when compared to 1999. Family units headed by seniors carried the least amount of debt, $2.26 per $100 of assets.

Number one reason for retiring[1]: personal or family responsibilities

The survey found that of the 7.4 million people aged 55 and over, 63.7% reported having been retired.

Respondents were asked to report all their reasons for retiring. The top three Canadians cited were: personal or family responsibilities (23.7%), health (22.8%), and having completed the required number of years to qualify for a pension (19.6%).

Of the roughly 4.7 million people who retired, just over 784,000 of them returned to work for pay following their first retirement. Over 48% of those returning to work for pay reported that financial considerations were the most common reason for returning to work. Other significant reasons cited were that work was interesting and job offers from employer.

1. The retirement concept is based solely on individual perceptions. Respondents were asked if they had ever retired. Those who said "yes" were identified as retirees.

Introduction

The Survey of Financial Security (SFS) was undertaken between May and July 2005. It offers new information on the assets and debts of families and individuals in Canada. It sheds light on how wealth is distributed, the extent to which it is concentrated, the forms in which it is held and how these are changing over time in the context of an aging population and an evolving economy. Prior to the 2005 SFS, the most recent survey results were for the year 1999.

The 1999 survey introduced an innovation to Canadian wealth measurement in the form of a new methodology to estimate the wealth value of employer pension plans[2]. This marked the first time a comprehensive picture of the financial security of Canadians was available. A second release of the 1999 results focusing on private pension savings demonstrated that employer pensions were the most important component of financial wealth for many Canadians, increasing median net worth by 35%. It provided important new insights on the characteristics of those who held wealth in this form and those who did not.

Among the significant findings from the 1999 Survey of Financial Security were important differences in the distribution of net worth in Canada. Almost half of personal net worth was held by the richest 10% of families and individuals in 1999. Not surprisingly, net worth was found to increase with income, the number of earners in a family, education and type of occupation. Age was a very significant factor and seniors tended to have the highest accumulated wealth, while couples with children had much less. Individuals and lone parent families fared the worst in terms of their net worth position.

The principal residence was the most important component of wealth in 1999, and employer pensions were found to be the second most valuable asset. More than three-quarters of consumer debt was held in the form of mortgages, and Canadians had an estimated $13.06 of debt for every $100 of assets.

This latest report presents an overview of the results of the 2005 Survey of Financial Security (SFS), highlighting new developments since the 1999 results. Over the six-year period between 1999 and 2005, a number of important factors influenced the evolution of the wealth distribution in Canada. The real estate market experienced strong growth over the period, with historically low interest rates and favorable economic conditions spurring new construction and inflating the value of existing homes.

The Canadian stock market plunged in 2002 in the aftermath of the high-tech bubble burst, temporarily wiping out billions in family net worth. It had fully recovered by 2005 on the strength of a booming resource sector.

With the cost of borrowing at all-time lows, consumer debt rose to unprecedented levels, while debt service ratios nonetheless have not increased in relation to income. The banking sector targeted an increasing portion of its lending activity at consumers, making consumer credit more available in a broader variety of forms.

This report examines differential impacts of these overarching developments on Canadian families and individuals. In addition, the 2005 SFS collected new information on the distribution of assets held in registered plans and mutual funds and on retirement status.

The input and support of Human Resources and Social Development Canada, the Bank of Canada, Canada Mortgage and Housing Corporation, Finance Canada and Industry Canada to the development of this survey is very gratefully acknowledged. The collection and processing of this information was financed by the Policy Research Initiative.

2. See Survey of Financial Security, Methodology for estimating the value of employer pension plan benefits, Statistics Canada Cat. No. 13F00026MIE-01003)

Explanatory notes

The table below illustrates the components of the net worth calculation accounted for by the Survey of Financial Security. The value of all assets less all debts is net worth. A family's net worth can be thought of as the amount of money they would have if they liquidated their assets and paid off all of their debts.

Text table

Total assets	less:	Total debts	equals	Net worth
Private pension assets -RRSPs, RRIFs, LIRAs, other[1] -Employer pension plans **Financial assets** -Deposits in financial institutions -Mutual funds, investment funds, income trusts -Stocks -Bonds -Other financial assets **Non-financial assets** -Principal residence -Other real estate -Vehicles -Other non-financial assets **Equity in business**		**Mortgages** -Principal residence -Other real estate **Line of credit** **Credit card and instalment debt** **Student loans** **Vehicle loans** **Other debt**		

1. RRSPs – Registered retirement savings plans; RRIFs – Registered retirement income funds; LIRA's – Locked-in retiremen accounts. Other includes Deferred Profit Sharing Plans (DPSPs), annuities and other miscellaneous pension assets.

Note to reader

In this report, the focus is on median net worth rather than average net worth. Both measures can be used to describe net worth, but each provides a different picture. Median net worth is determined by ranking all family units from highest to lowest net worth. The net worth of the family unit in the middle of the range is the median net worth. Average (or mean) net worth on the other hand is determined by dividing the total net worth of all family units by the number of family units. The more the average exceeds the median, the more the wealthiest family units in the country contribute to the increase in the average.

Information on assets and debts was collected for the family unit and not for each individual in the family. The term family unit includes both families of two or more and unattached individuals. Families of two or more are referred to as economic families, defined as a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common-law or adoption.

All asset, debt and net worth amounts in this report are expressed in 2005 dollars. Amounts related to income, however, are expressed in current 2004 dollars.

The distribution of net worth

Total net worth of Canadians reached $4.9 trillion in 2005, a 41.7% growth from 1999. Favourable economic conditions, a strong real estate market, and a rebound in the Canadian stock market contributed to this increase.

The increase in net worth was not shared equally among all families. The survey ranked family units into five groups or quintiles from lowest net worth to highest. Each represented 20%, or one-fifth, of all families.

Median net worth for all family units increased 23.2% over the period (Table 1). Family units in the top 20% of the wealth distribution had a median net worth of about $862,900 in 2005, up 28.5% from 1999. The 20% at the low end of the net worth scale had a median value of $1,000, a 9.1% decline from 1999.

The 20% at the low end also had a 2.4% increase in their debt load for each $100 of assets, while the debt load for the top 20% grew at a slower pace (+1.6%). The largest increase in debt load occurred in the fourth quintile where debts per $100 of assets grew to $17.69, an increase of over 12% compared to 1999.

The fact that nearly 70% of total net worth was held by those in the highest quintile resulted in significant differences in average (mean) net worth relative to the median. These differences reflect the extent to which the wealth distribution is unequal. The mean was nearly 2.5 times the median net worth in 2005. (The more the average exceeds the median, the more the wealthiest family units in the country contribute to the increase in the average.)

Table 1 Distribution of net worth by quintile

Quintiles	% of net worth owned by quintile	Total net worth	Median Net worth	Average net worth	% of net worth owned by quintile	Total net worth	Median net worth	Average net worth	% change from 1999 median net worth	% change from 1999 total net worth
	2005				1999[1]					
	%	Millions $	$	$	%	Millions $	$	$		
All family units	**100.0**	**4,862,000**	**148,400**	**364,300**	**100.0**	**3,432,000**	**120,500**	**281,000**	**23.2**	**41.7**
Lowest 20%	0.1	-6,300	1,000	-2,400	0.1	-3,700	1,100	-1,500	-9.1	-70.3
Second 20%	2.3	110,000	37,300	41,100	2.6	89,700	34,800	36,700	7.2	22.6
Third 20%	8.4	409,000	148,400	153,200	8.8	302,000	120,500	123,600	23.2	35.4
Fourth 20%	20.2	983,000	361,200	367,600	20.1	691,000	275,600	282,700	31.1	42.3
Highest 20%	69.2	3,367,000	862,900	1,264,200	68.5	2,353,000	671,600	963,300	28.5	43.1

1. In 2005 constant dollars.

As in 1999, the 2005 survey confirmed the relationship between income and the accumulation of wealth. Family units who reported after-tax income of $75,000 or more in 2004 had a median net worth of $505,700, up 15.2% from 1999 (Table 2). On the other hand, family units whose after-tax income ranged between $20,000 and $29,999 saw a 21.2% decline in median net worth.

Table 2 Median net worth by income range

After-tax income[1]	Family units	Median net worth	Family units	Median net Worth[2]	% change from 1999 median net worth
	2005		1999		
	%	$	%	$	
All family units	**100.0**	**148,400**	**100.0**	**120,500**	**23.2**
Less than $10,000	7.5	3,500	7.8	2,000	75.0
$10,000 to $19,999	13.5	16,000	15.7	14,700	8.8
$20,000 to $29,999	15.8	48,400	15.6	61,400	-21.2
$30,000 to $39,999	13.8	113,000	15.0	110,600	2.2
$40,000 to $49,999	11.2	187,500	12.2	146,700	27.8
$50,000 to $74,999	19.6	260,300	19.3	206,000	26.4
$75,000 or more	18.6	505,700	14.2	438,900	15.2

1. In 2004 constant dollars.
2. In 2005 constant dollars.

Another way to analyze the concentration and distribution of wealth is by type of family unit: families of two or more (referred to as economic families) accounted for about 66.3% of all family units in 2005, and unattached individuals represented the other 33.7% (Table 3). Families are grouped according to the characteristics of the major income recipient.

In 2005, the median net worth of economic families was $230,500, up 29.9% from 1999. However, median net worth for unattached individuals grew at a much slower pace (+3.9%).

As in 1999, elderly families had the highest net worth of any type of family unit ($443,600), in part because many live in their own mortgage-free home, and the value of their accumulated pension wealth is higher. This should not be interpreted to mean that all elderly families have relatively high net worth.

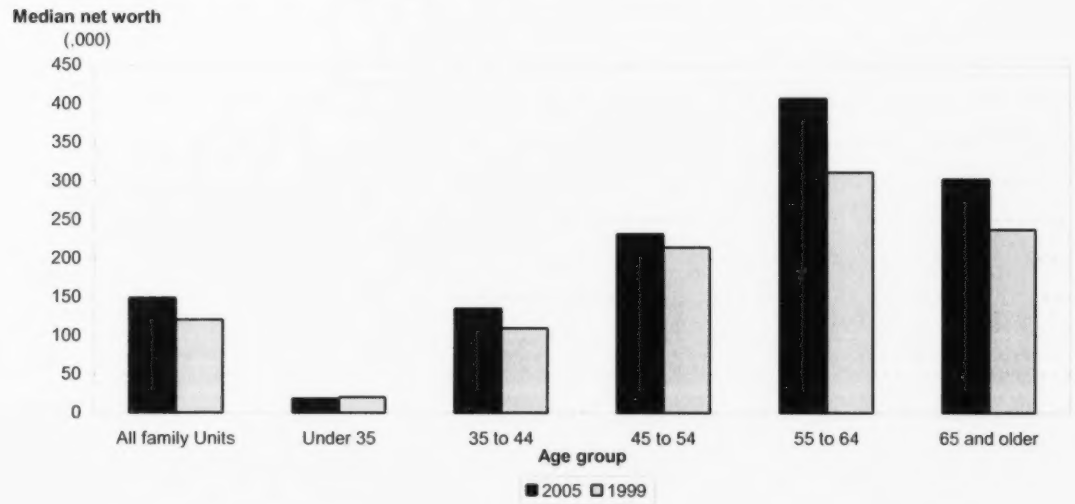
Table 3 Distribution of family types showing median net worth

Family type	Family units	Economic Families	Unattached individuals	Median Net Worth	Median Net Worth	% change from 1999 median net worth
		2005			1999[1]	
	%	%	%	$	$	%
All family units	**100.0**	...	...	**148,400**	**120,500**	**23.2**
Economic families of two or more	**66.3**	**100.0**	...	**230,500**	**177,400**	**29.9**
Elderly families	...	14.8	...	443,600	343,100	29.3
Non-elderly families	...	85.2	...	204,000	155,300	31.4
Couples only[2]	...	25.2	...	242,900	190,100	27.8
Couples with children under 18	...	34.9	...	189,000	144,900	30.4
Other non-elderly families[3]	...	25.2	...	210,800	144,300	46.1
Unattached individuals	**33.7**	...	**100.0**	**34,700**	**33,400**	**3.9**

1. In 2005 constant dollars.
2. No children at home.
3. Includes lone-parent families.

However, when looking specifically at age, median net worth was highest for family units in which the major income recipient was aged 55 to 64 ($407,400) (Chart 1). The 65 and older group was the second highest. This is not surprising since older families may use some of their assets to supplement their income.

Chart 1 Median net worth by age of major income recipient for all family units



Composition of assets and debts

Assets

Assets can be subdivided into four main categories: pension assets, financial assets, non-financial assets and equity in business.

Private pension assets include individual savings in registered retirement savings plans (RRSPs) and in registered retirement income funds (RRIFs), the value of the pension plans benefits "earned" through participation in an employer-sponsored registered pension plan (EPP) and other pension savings held in vehicles such as annuities and deferred profit sharing plans (DPSPs).

Together, they are referred to as private pension savings, to indicate that they do not include the value of the income people will receive from the Old Age Security/Guaranteed Income Supplement (OAS/GIS) program and the Canada and Quebec Pension Plans (CPP/QPP).

Financial assets included deposits in a financial institution and various investments.

Non-financial assets included the value of the principal residence, other real estate, vehicles (excluding leased vehicles) and other non- financial assets.

The total value of assets increased 42.4% between 1999 and 2005. The increase in the market value of real estate was the major contributor to the growth, accounting for just over half (50.5%) of the increase. Principal residences accounted for 37.7% while other real estate accounted for the remaining 12.8%. This category includes vacant lots, cottages, vacation homes, rental and commercial properties.

The second largest contributor to the increase was private pension assets, accounting for 28.7% of the increase. Gains in this area were concentrated in employer pension plans, which increased 52.8% in value over the period.

According to Statistics Canada's Pension Plans in Canada survey, as of January 1, 2005, there were more than 15,000 EPPs in Canada, covering 5.7 million members. Membership has risen at a steady pace, 11.4%, since 1999.

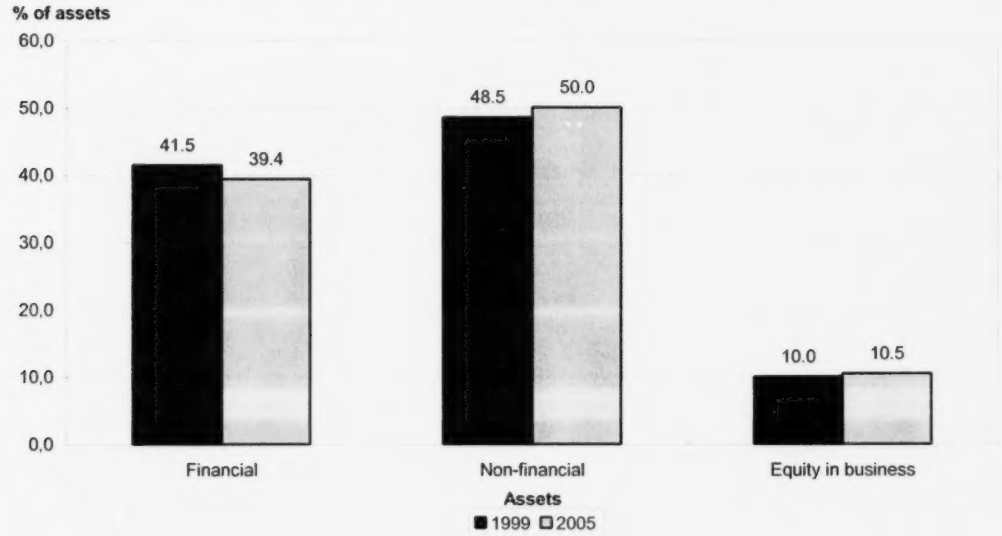
Financial assets (other than pension assets) accounted for 5.8% of the total increase in assets.

Equity in business accounted for 11.6% of the increase in assets.

Distribution of assets

As can be seen from chart 2 and table 4, in terms of overall portfolio composition, non-financial assets accounted for half of total assets, while financial assets (including private pension assets) represented 39.4% and business equity the remaining 10.5%.

Chart 2 Non-financial assets accounted for half of total assets in 2005



The most important non-financial asset was the principal residence, accounting for 33.4% of total assets, while the single most important financial asset for Canadians in 2005 was the amount held in EPPs, accounting for 18.5% of total assets. Investments in mutual funds, stocks and bonds (other than those in private pension assets) represented 4.8% of total assets, while deposits in financial institutions represented 4.2%.

Table 4 Asset distribution

	All Family Units[1]			
	Assets			
	2005		1999[2]	
	$ billion	%	$ billion	%
Assets	**5,623**	**100.0**	**3,948**	**100.0**
Private pension assets[3]	1,632	29.0	1,152	29.2
- RRSPs / LIRAs / RRIFs/ other[4]	593	10.5	472	11.9
- EPPs[5]	1,039	18.5	680	17.2
Financial assets, non pension:	585	10.4	487	12.3
- Deposits in financial institutions	237	4.2	182	4.6
- Mutual funds / investment funds / income trusts	134	2.4	91	2.3
- Stocks	103	1.8	104	2.6
- Bonds (saving and other)	35	0.6	29	0.7
- Other financial assets[6]	76	1.3	81	2.1
Non-financial assets	2,816	50.1	1,914	48.5
- Principal residence	1,880	33.4	1,248	31.6
- Other real estate	481	8.6	266	6.7
- Vehicles	171	3.0	142	3.6
- Other non-financial assets[7]	285	5.1	258	6.5
Equity in business	590	10.5	395	10.0

1. Family units: economic families (a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common law or adoption) and unattached individuals (a person living either alone or with others to whom he or she is unrelated).
2. In 2005 constant dollars.
3. Excludes public plans administered or sponsored by governments: Old Age Security (OAS) including the Guaranteed Income Supplement (GIS) and the Spouse's Allowance (SPA), as well as the Canada/Quebec Pension Plans (C/QPP).
4. Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs). Locked-in Retirement Accounts (LIRAs). Other includes Deferred Profit Sharing Plans (DPSPs), annuities and other miscellaneous pension assets.
5. Employer-sponsored Registered Pension Plans (EPPs). These plans were valued on a termination basis. Only plan membership to the time of the survey was considered. Interest rates are assumed based on current market rates.
6. Includes Registered Education Savings Plans (RESPs), treasury bills, mortgage-backed securities, money held in trust, money owed to the respondent and other miscellaneous financial assets, including shares of privately held companies.
7. The value of the contents of the respondent's principal residence, valuables and collectibles, copyrights and patents, etc.

Table 5 shows the proportion of family units holding each type of asset, and the median and average amounts of for those who held the asset. Both averages and medians are shown because the difference between the two can be quite important. This is particularly true for equity in a business, where the average is more than 15 times the median. This indicates a highly skewed distribution of this asset type, with a few unattached individuals or economic families holding businesses with a very high value and a much larger proportion holding much smaller assets.

When the large asset categories are examined, the proportion of family units holding each type in 2005 was similar to that in 1999. In 2005, 70.6% of family units held some form of pension assets, 89.4% held other financial assets, and 16.6% had equity in business. Because people generally own at least some furniture, all family units reported non-financial assets in both years.

Table 5 Composition, incidence, median and average amount of assets

	All Family Units[1]						Growth in % of families holding assets	Growth in median from 1999
	Median	Average	Proportion holding asset	Median	Average	Proportion holding asset		
	2005			1999[2]				
	$	$	%	$	$	%	%	%
Assets	**229,900**	**421,200**	**100.0**	**184,600**	**323,200**	**100.0**	**9.3**	**24.5**
Private pension assets[3]	68,000	173,300	70.6	57,600	135,300	69.7	10.6	18.1
- RRSPs / LIRAs / RRIFs and other[4]	30,000	76,600	58.0	23,000	65,500	58.9	7.7	30.4
- EPPs[5]	68,300	160,000	48.6	56,200	121,200	45.9	15.7	21.5
Financial assets, non pension:	6,100	49,000	89.4	5,300	44,400	89.8	8.8	15.1
- Deposits in financial institutions	3,600	20,400	87.0	2,900	17,100	87.5	8.7	24.1
- Mutual funds / investment funds / income trusts	24,200	81,500	12.3	15,000	53,100	14.0	-3.8	61.3
- Stocks	11,600	78,000	9.9	10,400	85,900	9.9	9.4	10.6
- Bonds (saving and other)	2,500	24,800	10.4	2,900	17,000	14.0	-18.7	-13.8
- Other financial assets[6]	6,000	32,600	17.5	5,500	50,400	13.2	44.2	9.1
Non-financial assets	141,700	211,000	100.0	115,200	156,700	100.0	9.3	23.0
- Principal residence	180,000	227,400	61.9	144,000	171,500	59.6	13.6	25.0
- Other real estate	85,000	224,400	16.1	72,600	134,100	16.3	7.8	17.1
- Vehicles	11,500	17,000	75.4	10,400	15,200	76.5	7.7	10.6
- Other non-financial assets[7]	10,000	21,300	100.0	11,500	21,100	100.0	9.3	-13.0
Equity in business	15,800	265,600	16.6	10,400	169,800	19.0	-4.5	51.9

1. Family units: economic families (a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common law or adoption) and unattached individuals (a person living either alone or with others to whom he or she is unrelated).
2. In 2005 constant dollars.
3. Excludes public plans administered or sponsored by governments: Old Age Security (OAS) including the Guaranteed Income Supplement (GIS) and the Spouse's Allowance (SPA), as well as the Canada/Quebec Pension Plans (C/QPP).
4. Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs). Locked-in Retirement Accounts (LIRAs). Other includes Deferred Profit Sharing Plans (DPSPs), annuities and other miscellaneous pension assets.
5. Employer-sponsored Registered Pension Plans (EPPs). These plans were valued on a termination basis. Only plan membership to the time of the survey was considered. Interest rates are assumed based on current market rates.
6. Includes Registered Education Savings Plans (RESPs), treasury bills, mortgage-backed securities, money held in trust, money owed to the respondent and other miscellaneous financial assets, including shares of privately held companies.
7. The value of the contents of the respondent's principal residence, valuables and collectibles, copyrights and patents, etc.

Pension assets

Nearly 71% of family units had pension assets in 2005, up slightly from 1999. The percentage of family units holding an EPP has grown, while there has been a slight decrease in the percentage of family units holding RRSPs, RRIFs, LIRAs and other pension assets.

The value of pension assets increased, more from the value of the EPP plans than from the RRSPs. Both pension assets in general grew at a slower pace than what was observed among the other asset types. Pension assets will be discussed in more detail in a later section.

In 2005, 58.0% of all family units had RRSPs (Table 6). This proportion reached 69.4% for family units where the major income recipient was 55 to 64 years of age. The median value of RRSPs for family units who held them was $30,000. Family units aged 55 to 64 had the highest median savings in RRSPs ($60,000).

The average amount held in RRSPs was significantly higher than the median: $76,600 for all family units and $124,500 for those 55 to 64 years of age, indicating that a relatively small number of family units had significant savings in RRSPs.

Included in this category are amounts that former members of EPPs have withdrawn and converted to locked-in RRSPs, RRIFs, deferred profit sharing plans (DPSP) and other miscellaneous private pension assets.

Table 6 Average and median value of RRSPs[1] by age[2]

	RRSP ownership	Median value	Average value
	%	$	$
All family units	**58.0**	**30,000**	**76,600**
Under 35	43.5	7,500	22,500
35 to 44	63.3	22,500	49,100
45 to 54	68.1	40,000	90,300
55 to 64	69.4	60,000	124,500
65 and older	51.2	50,000	108,200

1. Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs). Locked-in Retirement Accounts (LIRAs), Deferred Profit Sharing Plans (DPSPs), annuities and other miscellaneous pension assets.
2. Age refers to major income recipient.

Financial assets

Over 89% of family units reported having financial assets, mainly deposits in financial institutions, virtually unchanged from 1999. Like pension assets, financial assets grew at a slower pace than non-financial assets.

The only exception has been mutual funds, income trusts and investment funds (these are investments outside registered plans) where both the median and the average value grew more than 50% from the values in 1999.

The family units whose major income recipient was 55 to 64 years of age were the most likely to own these investments (15.1% had mutual funds, 12.5% had stocks and 12.6% had bonds, either savings bonds or other types of bonds).

Distribution of investments in registered plans

For the first time, the 2005 Survey of Financial Security collected information on the distribution of investments in registered plans (RRSPs, LIRAs, RRIFs and RESPs). More than half of registered plan values were invested in mutual funds and income trusts.

The remaining investments within registered plans were in term deposits and guaranteed investment certificates (21.0%), savings bonds, Canada Savings Bonds, Provincial Savings Bonds, (3.9%), Canadian and foreign publicly traded stocks (10.3%), Canadian and foreign bonds and debentures, Treasury bills and other registered plan investments (14.0%) (Table 7).

Table 7 Distribution of investments in registered plans

	Family units	Family units	Amount invested	Amount invested	Median current value of investments
	,000	%	%	$millions	$
Family units with at least one type of investment in registered plans	**7,988**	**59.8**	**100.0**	**583,400**	**25,000**
Term deposits and Guaranteed Investment certificate	2,912	21.8	21.0	122,500	15,000
Saving bonds	577	4.3	3.9	22,900	12,000
Mutual Funds or Income trust	4,785	35.8	50.8	296,300	59,700
Canadian and Foreign publicly traded stocks	879	6.6	10.3	60,000	20,000
Canadian and foreign bonds/debentures	204	1.5	2.6	15,000	22,500
Treasury bills	80	0.6	0.6	3,500	30,000
Registered funds not specified	1,433	10.7	10.8	63,200	17,000

Non-financial assets

In 2005, 61.9% of family units owned their home, up from 59.6% in 1999. Following a trend observed in the housing market for the last few years, the value of homes increased substantially. The median value grew 25% since 1999.

Other non-financial assets include other real estate, owned vehicles, contents of the principal residence, collectibles and valuables. Other real estate (most commonly vacation or second homes or rental property) was owned by 16.1% of family units, a similar proportion to 1999. The median value grew 17.1% from 1999. Over 75% of family units owned at least one vehicle (leased vehicles are not considered assets for purposes of the survey).

Table 8 Incidence of ownership of principal residence, proportion with mortgages

	Own principal residence	Median value	Owners with mortgage on residence
	%	$	%
All family units	**61.9**	**180,000**	**55.1**
Under 35	31.9	165,000	88.5
35 to 44	68.5	199,000	81.2
45 to 54	74.5	186,500	59.6
55 to 64	76.7	180,000	38.5
65 and older	69.2	163,400	12.0

The proportion of family units owning their home increases with age. As can be seen from Table 8, the proportion was lowest for family units where the age of the major income recipient was less than 35 years and highest for those aged 55 to 64. The median value of the principal residence for homeowners was $180,000.

Equity in business

Nearly 17% of family units reported having equity in business, a slight decrease from 1999. However, the median and the average value of business equity grew substantially from 1999. Moreover, the average was more than 15 times larger than the median value in business equity, which shows the variability in this asset category (Table 5).

Debts

In 2005, 69.4% of family units reported having debts, compared to 67.3% in 1999.

Total debts increased 47.5% between 1999 and 2005. Mortgages on principal residence accounted for 59.1% of this increase, and mortgages on other real estate accounted for an additional 11.7%. The second largest contributor to the increase in debt load was lines of credit, accounting for 15.9% of the rise in debts. The majority of lines of credit debt was secured by home equity. Vehicle loans accounted for 5.5% of the increase in total debt.

Distribution of debts

Mortgages continue to be the single most important debt, accounting for three-quarters of the overall value. The largest proportion of mortgage debt was for principal residence at 63.9%, while 11.3% of the mortgage debt load was for other real estate (Chart 3, Table 9). Nearly 37% of all family units reported having mortgage debt, an increase of 2.2 percentage points from 1999.

Student loans were reported by 11.8% of all family units (Table 10), and, more precisely, by 27.6% of family units where the major income recipient was less than 35 years of age. This age group held 56.2% of total student loan debt. The median value owing on student loans for family units reporting them was $9,000.

Chart 3 Mortgages continue to be the single most important debt

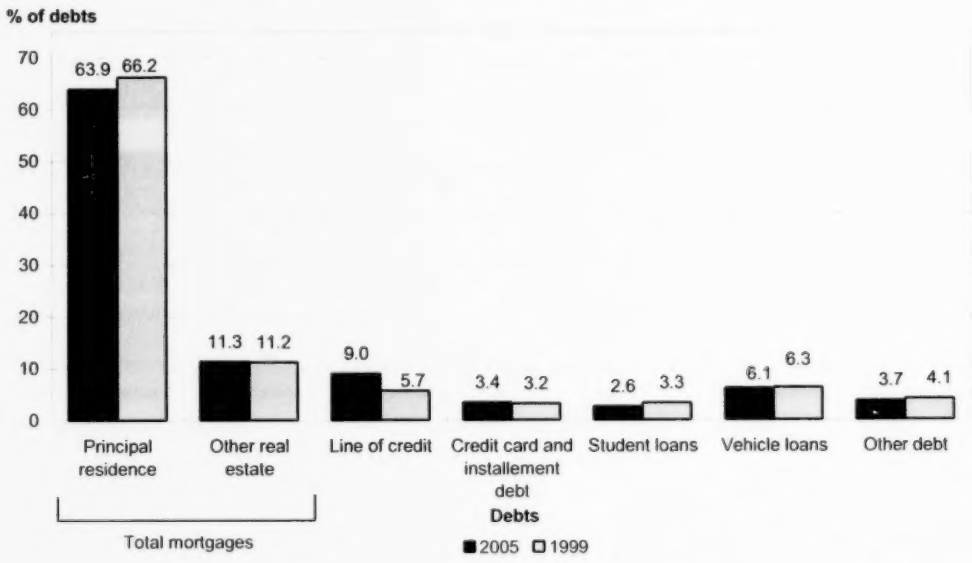


Table 9 Debt distribution

	All family units			
	2005		1999[1]	
	$ billion	%	$ billion	%
Debts	**760**	**100.0**	**515**	**100.0**
Mortgages	572	75.3	399	77.4
- Principal residence	486	63.9	341	66.2
- Other real estate	86	11.3	58	11.2
Lines of credit	68	9.0	29	5.7
Credit card and installment debt[1]	26	3.4	16	3.2
Student loans	20	2.6	17	3.3
Vehicle loans	46	6.1	33	6.3
Other debt	28	3.7	21	4.1

1. In 2005 constant dollars.
2. Includes major credit cards and retail store cards, gasoline station cards, etc. Installment debt is the total amount owing on deferred payment or installment plans where the purchased item is to be paid for over a period of time.

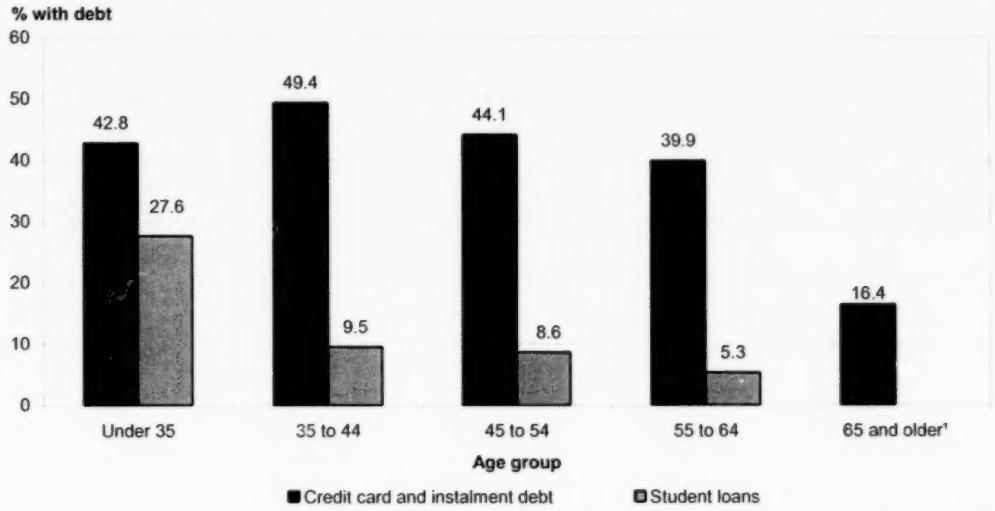
Student loans represented close to 34% of the debt of those under 35 who did not own their principal residence. In 2005, over 68% of family units in this age group did not own their homes.

Table 10 Incidence, median and average amount of debts

	All family units							
	Median	Average	Have debt	Median	Average	Have debt	% change on holding debt	% change in median value
	2005			1999[1]				
	$	$	%	$	$	%	%	%
Debts	**44,500**	**82,100**	**69.4**	**32,300**	**62,700**	**67.3**	**12.8**	**37.8**
Mortgages	93,000	117,500	36.5	79,500	95,200	34.3	16.2	17.0
- Principal residence	90,000	106,700	34.1	76,600	87,300	32.0	16.6	17.5
- Other real estate	90,000	137,900	4.7	69,100	102,100	4.6	10.8	30.2
Lines of credit	9,000	20,500	24.9	5,800	15,500	15.4	76.8	55.2
Credit card and instalment debt[2]	2,400	4,900	39.3	2,100	3,500	38.0	13.0	14.3
Student loans	9,000	12,700	11.8	8,300	12,000	11.7	9.7	8.4
Vehicle loans	11,000	13,400	25.8	10,400	12,800	20.8	35.7	5.8
Other debt	6,000	14,900	14.1	4,600	10,700	16.2	-5.3	30.4

1. In 2005 constant dollars.
2. Includes major credit cards and retail store cards, gasoline station cards, etc. Installment debt is the total amount owing on deferred payment or installment plans where the purchased item is to be paid for over a period of time.

Chart 4 Almost half of family units with the major income recipient aged 35 to 44 had credit card and installment debt



1. Percentage of families with major income earner of age 65 and older with student loans is not available due to reliability of data.

Total credit card and installment debt in 2005 amounted to about $25.8 billion, a 58.4% gain from 1999. Despite this huge jump, this form of debt still accounted for only 3.4% of overall debt, up only marginally from 1999.

Credit card and installment debt was reported by 39.3% of all family units, while 49.4% of family units with the major income recipient aged 35 to 44 years reported having credit card and installment debt (Chart 4). Only 16.4% of individuals or families in which the major income recipient was 65 and older reported credit card or installment debt.

It is interesting to note that the median value of the lines of credit debt (mainly home equity lines of credit) increased significantly by 55.2%, and represents an increasing share of the total debt burden. This substantial increase in lines of credit may be explained by favourable interest rates and increased availability of this form of consumer borrowing.

Debt ratio

Overall, for every $100 of assets, Canadian family units had $13.52 in debts in 2005 (Table 11), up from $13.06 in 1999. The ratio was much higher for certain types of families. For example, lone-parent families owed $28.33 for every $100 owned and two-parent families with children under 18 owed $20.03.

The largest debt burden was carried by younger people. Family units in which the major income recipient was less than 35 owed $39.40 for every $100 of assets.

Table 11 Debt per $100 of assets by age of major income recipient

	Debt per $100 of asset	$0 or negative net worth
	$	% with
All family units	13.52	6.58
Under 35	39.40	18.49
35 to 44	23.67	4.44
45 to 54	13.23	2.92
55 to 64	6.91	2.09
65 and older	2.26	0.46

A focus on pension savings

Canada's population, like much of the industrialized world, is aging. In the last decade, the number of Canadians employed has been growing and directly contributed to the well-being of the population. In the next five to fifteen years, the baby boom generation will start retiring. This will create a need to put aside sufficient savings to cover the cost of time spent in retirement.

By 2026, the proportion of Canadians over the age of 65 will likely reach 22% of the population compared to 13% in 2005.

Private pension savings such as EPPs and RRSPs comprise a major component of the overall assets of Canadian families.

Private pension assets

Approximately the same proportion of family units had pension assets (EPPs, RRSPs, etc.) between 1999 and 2005. However, the proportion of family units holding pension plans grew mostly for family units where the major income recipient was aged 55 and over (Table 12), while the proportion decreased slightly among all the other age groups. For family units where the major income recipient is under the age of 35 in particular, there was a large decrease in the number reporting RRSPs in 2005.

For the purposes of this study, the value of EPPs was calculated, based on information that has been provided by respondents on the characteristics of the pension plan. The estimated value of the pension plan estimates how much value is in the pension plan to pay benefits, assuming the person was to retire on that day. The methodology for estimating the value of the pension plan can be found in to the Statistics Canada publication (catalogue no. 13F0026MIE - 01003), *Survey of Financial Security Methodology for estimating the value of employer pension plan benefits.*

Family units with both EPP assets and RRSP/RRIF/LIRA assets had significantly higher pension assets than those holding only one or the other. About 36% of families had both types of pension assets and for those, the median pension value was $158,800.

About 13% of family units had an EPP only and for those, the median asset value was $43,600. A larger proportion had RRSP assets only (21.8%) and for those, the median value was $20,000.

Private pension assets were concentrated in nearly one-third of family units. About 31% of family units with $100,000 or more in private pension savings held 90.3% of the value of these assets.

Table 12 Proportion of family units holding private pension assets by age of major income recipient

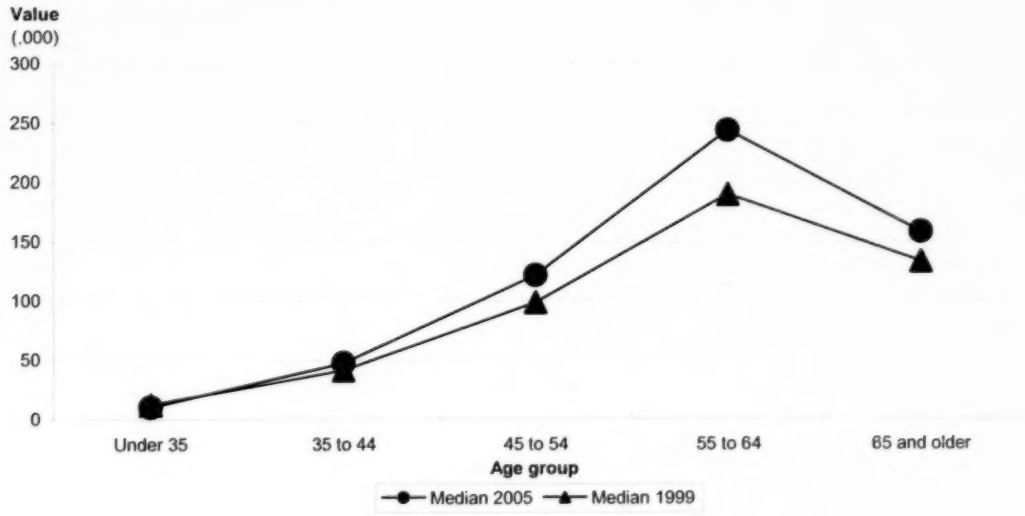
	Total	RRSPs, RRIFs, LIRAs, other[1]	EPPs	Total	RRSPs, RRIFs, LIRAs, other[1]	EPPs
	2005			1999[2]		
	%					
All family units	**70.6**	**58.0**	**48.6**	**69.7**	**58.9**	**45.9**
Under 35	55.3	43.5	33.9	57.6	49.6	31.7
35 to 44	72.9	63.3	48.0	74.4	65.3	47.2
45 to 54	76.7	68.1	51.6	79.0	69.9	53.9
55 to 64	81.9	69.4	60.1	76.8	67.5	54.7
65 and older	72.5	51.2	57.2	65.5	46.2	49.9

1. Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs). Locked-in Retirement Accounts (LIRAs). Other includes Deferred Profit Sharing Plans (DPSPs), annuities and other miscellaneous pension assets.
2. In 2005 constant dollars.

As can be expected, the value of pension assets increases with age (Chart 5), as more years in the workplace allow the accumulation of a larger asset. The median value of pension assets held by all family units grew 18.1% when compared to 1999.

However, this growth was concentrated among family units with a major income recipient between 55 and 64 years of age, where the median value grew 28.6%. This growth is mainly due to an increase in the value of EPPs, as opposed to an increase in the incidence of the asset.

Chart 5 Value of pension assets increase with age



About 60% of family units where the major income recipient was between the ages of 55 and 64 had at least $100,000 in private pension assets. This age group also had the lowest percentage of family units with no pension assets (18.1%).

For family units, where the major income recipient was 65 years or older (and likely to be retired), a smaller percentage (46%) had pension assets of $100,000 or more. Many of these family units would have begun drawing down their pension assets, thereby reducing the amount held.

Notably, 27.5% of family units with the major income recipient 65 years of age and older had no pension assets. These families may not necessarily be less well off than in their pre-retirement years, as the income from government programs (OAS/GIS and CPP/QPP) may be sufficient to maintain their former standard of living. However, the pre-retirement earnings of this group are not known.

Employer pension plans

According to Statistics Canada's Pension Plans in Canada survey, there were 15,336 Employer Pension Plans (EPPs) covering 5.7 million members as of January 1, 2005. Public sector members of pension plans (+2.1%) contributed more to of the growth than private sector members (+0.8%).

Membership has risen steadily since 1999, increasing 11.4% by 2005 (Table 13). Increases in membership occurred in both the public and private sectors. The number of members in public sector pension plans increased 12.3% over the period, while private sector membership was up 10.6%.

The increase in female membership was the main contributor to growth during the six-year period in both sectors. The number of women covered by an EPP was up 18.5%, three times the rate of growth of 5.6% for men. Womens' share of overall pension plan membership increased by almost 3 percentage points since 1999 to 47.5% as of January 1, 2005.

Although the public sector has less than 10% of all employer pension plans, they tend to be large and account for close to 50% of all membership and almost 60% of women belonging to an EPP.

Table 13 Employer pension plans (EPPs) and members, by sector and type of plan, as of January 1

	1999	2005	% change
Both sectors		,000	%
Total of employer pension plans	14.94	15.34	2.7
Members, both sexes	5,091	5,670	11.4
Members, males	2,819	2,977	5.6
Members, females	2,272	2,693	18.5
Public sector		,000	%
Public sector employer pension plans	1.24	1.26	1.6
Members, both sexes	2,364	2,654	12.3
Members, males	1,033	1,086	5.1
Members, females	1,331	1,568	17.8
Private sector		,000	%
Private sector employer pension plans	13.7	14.07	2.7
Members, both sexes	2,728	3,016	10.6
Members, males	1,787	1,891	5.8
Members, females	941	1,125	19.6

Source: Statistics Canada, Pension Plans in Canada Survey

Proportion of paid workers with a registered pension plan continues to drop

The Pension Plans in Canada survey shows that 39.0% of paid workers were covered by a registered pension plan in 2004. This is slightly below the 2003 level and down 1.9% from 1999. This downward trend has been observed since 1991 when more than 45.3% of paid workers were covered by a registered pension plan.

Even though declines were observed for both sexes, the coverage rate for men dropped more significantly over the period than the coverage rate for women. In 1999, 42.1% of male paid workers were covered by a pension plan compared to just 38.9% in 2004. Coverage rates for women declined more slowly. In 2004, 39.0% of female paid workers were covered, compared to 39.6% in 1999.

The public sector has the largest proportion of paid employees covered by a registered pension plan. In 2004, more than 85.2% of public sector workers had a registered pension plan, compared to 26.4% in the private sector.

However, this is slightly below the coverage rate registered in 1999 when more than 91.3% of paid workers in the public sector were covered by a registered pension plan.

Who doesn't have pension savings?

About 3.9 million Canadian family units, 29.4% of the total, had no private pension assets in 2005[3] (Table 14). This proportion was somewhat lower for economic families (21.5%) and substantially higher for unattached individuals. Almost half (45.2%) of unattached individuals had no pension assets.

The majority of family units with no private pension assets had lower income from employment. Considering only family units with a major income recipient between 25 and 64 years of age[4], 63.8% of families of two or more with no pension savings had employment income (i.e., earnings) less than $30,000.
About two-thirds of unattached individuals had earnings under $20,000. Even though these families and individuals have little private savings, public plans such as the (OAS/GIS) and the Canada and Quebec Pension Plans (CPP/QPP) will provide them with a minimum income in retirement. This income may replace a substantial portion of their pre-retirement earnings.

3. An EPP, an RRSP or RRIF or from other sources. The latter includes things such as deferred profit sharing plans (DPSPs) and annuities and constitutes less than .5% of total private pension assets.
4. Those less than 25 and over 64 years of age have not been considered here as the focus is on employment income; many in those age groups have not yet entered the labor market or have retired.

As well, most of those with no private pension assets were relatively young. This puts them further from retirement and leaves them a number of years to accumulate assets. More than half (57.9%) of family units with no private pension assets had a major income recipient younger than 45 years of age.

For all family units aged 45 and older, the government-sponsored programs (OAS/GIS and CPP/QPP) will constitute an essential source of income in retirement, or do now.

Of all family units 65 years and older, 27.5% had no private pension savings, of which 58.6% were women and 41.4% men.

To get a better picture of the potential implications for a family unit having no private pension assets, it is necessary to consider both age and employment income. Those with higher incomes who have no private pension assets are not likely to be at risk of being unable to replace the income from their earnings after they retire, if they are younger and still have many years to save.

Similarly, older people/families with no private pension savings and lower incomes may be able to replace most or all of their earnings with the income from the government-sponsored programs (OAS/GIS and CPP/QPP).

In total, there were nearly 260,000 family units between the ages of 45 and 64 with employment incomes of $30,000 and over with no private pension assets. Unless they are able to save for their retirement, or have used other methods, they may face a substantial drop in their income when they retire.

Close to 35% of families with no private pension savings had not completed high school, compared with 14.8% of those with at least a university degree.

Table 14 Characteristics of family units with no private pension assets

	Total family units	Family units with no private pension assets	% of those with no pension assets[1]	% of total family units[2]
	,000	,000	%	%
All family units	13,348	3,931	100.0	29.4
Economic families	8,852	1,900	48.3	21.5
Elderly families	1,307	232	5.9	17.7
Non-elderly families	7,545	1,668	42.4	22.1
Couple only	2,232	337	8.6	15.1
Couple, children under 18	3,086	667	17.0	21.6
Other non-elderly families[3]	2,227	665	16.9	29.9
Unattached individuals	4,496	2,031	51.7	45.2
Age[4]				
Under 25	870	624	15.9	71.7
25 to 34	2,462	865	22.0	35.1
35 to 44	2,912	788	20.0	27.1
45 to 54	2,762	643	16.4	23.3
55 to 64	1,939	351	8.9	18.1
65 and older	2,402	660	16.8	27.5
Employment income for the family				
Less than $10,000	4,375	2,063	52.5	47.2
$10,000 to $19,999	1,091	583	14.8	53.4
$20,000 to $29,999	1,059	458	11.7	43.3
$30,000 to $39,999	1,253	389	9.9	31.0
$40,000 to $49,999	841	165	4.2	19.6
$50,000 to $74,999	1,805	158	4.0	8.7
$75,000 and more	2,924	116	3.0	4.0
Education[4]				
Less than high school	2,813	1,357	34.5	48.2
Graduated high school	3,508	1,117	28.4	31.8
Non-university certificate	3,737	875	22.3	23.4
University certificate/bachelor's degree	2,303	438	11.1	19.0
Master's or certificate above Bachelor's	986	144	3.7	14.6

1. Percentage was calculated by dividing the number of family units in each category by the total number of family units with no private pension assets.
2. Percentage was calculated by dividing the number of family units with no private pension assets by the total number of family units with that characteristic.
3. Includes lone-parent families.
4. For families, of major income recipient.

Most family units with no private pension assets also don't own their home

It is important to recognize that EPP and RRSP assets are not the only means through which families and individuals save for retirement. Many families will rely on the equity they have built up in their home and business to provide an income after retirement. However, 7 out of 10 families with no pension assets also didn't own their home.

The analysis above looks at those family units that did not have any private pension assets. As indicated, this may not necessarily indicate that their lifestyle will be affected when they retire; this depends on the age and the income of the individual or family.

Retirement[5]

Retirement status of people aged 55 and older

The survey results found that close to 4.7 million (63.7%) of the nearly 7.4 million people aged 55 and older had retired (Table 15).

In 2005, more women than men had retired. Almost 2.6 million women, or 55% of all retirees over age 55, indicated they had retired at least once in their lives. For men, the total was just over 2.1 million or 45%.

Almost 1.8 million people over the age of 55 were planning to retire at some point. Another 715,900 did not intend to retire[6]. A small number (166,300, people) reported that they had never worked for pay (Table 15).

Table 15 Retirement status of people age 55 and older

Retirement status	Population	%
Total over age 55	**7,374,800**	**100.0**
Retired at least once	4,696,100	63.7
Intend to retire	1,796,500	24.4
Do not intend to retire	715,900	9.7
Never worked for pay	166,300	2.3

Median net worth of families by retirement status

Families whose major income earner did not intend to retire had a lower median net worth and higher average debt load than other families.

In 2005, families of major income earners who did not foresee retirement in their future had a median net worth of $227,000, compared to $407,400 of those who intended to retire and $352,500 for retired families (Table 16). They also carried $8.66 in debts for every $100 in assets, compared to $7.90 among those who planned to retire and $2.72 among current and former retirees.

Table 16 Retirement status of major income earner by net worth[1]

Retirement status of major income earner	Assets		Debts		Debt to asset ratio	Net worth		Income
	Total	Median	Total	Median		Total	Median net worth	Median
	$ millions	$	$ millions	$		$ millions	$	$
Retired at least once	1,571,300	362,500	42,700	18,000	2.72	1,528,700	352,500	30,200
Intend to retire	745,800	482,900	58,890	43,000	7.90	686,900	407,400	54,200
Do not intend to retire	217,100	275,000	18,800	56,000	8.66	198,300	227,000	33,200

1. The major income earner is at least 55 years or older

5. For the purposes of this study, the definition of retirement is based on the individual perceptions of the survey respondents. Respondents were asked if they had ever retired. Those who said "yes" were identified as retirees.
6. These intentions may change over time.

Reasons for retirement

Survey results found that the three most common reasons for retiring[7] were: personal or family responsibilities (23.7%), health (22.8%), and completion of the required number of years to qualify for a pension (19.6%) (Table 17).

Table 17 Reasons for retirement[1]

Reasons for retirement[2]	Population	% of retired persons
Total - retired persons	**4,696,100**	...
Personal or family responsibilities	1,110,700	23.7
Personal health	1,072,500	22.8
Completed required years of service	921,200	19.6
Sufficient financial security	808,700	17.2
Mandatory retirement	484,000	10.3
Early retirement incentive	435,900	9.3
Lay-off	393,400	8.4
Other	190,800	4.1

1. Refers to respondents age 55 and older.
2. Respondents could choose multiple reasons for retiring.
3. The components will not sum to the total due to multiple responses.

Net worth of retirees who return to work

Some people who retire return to the labour force. The 2005 results show that about 784,400 retired people, or 16.7% of the total, decided to return to work following their first retirement. The majority (68.2%) worked mostly on a part-time basis.

Men were more likely to work after retirement than women. Of retirees who returned to work, about 62% were men.

If they returned to work, women were more likely to work part-time than men. Nearly 75.5% of women who returned to the labour force following retirement worked mostly part time, compared to 63.7% of men.

Several factors influence the decision to return to work (Table 18). The most common reason for returning to work[8] was financial considerations. The second most common factor was that the work was interesting.

Table 18 Reasons for returning to work[1]

Reasons for returning to work[2]	Population	%
Total post-retirement workers[3]	**784,400**	...
Financial considerations	377,500	48.1
Work was interesting	302,000	38.5
Job offer from employer	163,900	20.9
Did not like retirement	128,200	16.3
Other[4]	122,700	15.6

1. Refers to respondents age 55 and older.
2. Respondents could choose multiple reasons for returning to work.
3. The subtotals will not add up to the total due to multiple responses.
4. Includes: change in family situation, improvement in health and other reasons

7. Respondents were allowed to choose more than one reason for retiring.
8. Respondents were allowed to choose more than one reason for returning to work.

The debt load of both groups was much lower than the national average ($13.52 per $100). People who worked after retirement had $3.55 debts for every $100 in assets, compared to $2.38 (Table 19) for retirees who did not return to work.

Table 19 Net worth of retirees who returned to work vs. those who did not

	Assets		Debts			Net Worth		
	Total	Median	Total	Median	Debts per $100	Total	Median	Median After tax family income
	$ millions	$	$ millions	$		$ millions	$	$
Returned to work	455,900	594,900	16,200	43,000	3.55	439,700	589,600	41,200
Did not return to work	1,115,500	320,700	26,500	15,000	2.38	1,089,000	309,000	28,600

Appendix A - Data sources and methodology

The survey universe

The 2005 Survey of Financial Security was carried out in all ten provinces, the territories were not included. Those living on Indian reserves and crown lands and official representatives of foreign countries living in Canada and their families were also excluded from the survey. Members of religious and other communal colonies, members of the Canadian Forces living in military camps and people living in residences for senior citizens were excluded, as were people living full time in institutions, for example, inmates of penal institutions and chronic care patients living in hospitals and nursing homes. The survey covers about 98% of the population in the ten provinces.

Information was not gathered from persons temporarily living away from their families (for example, students at university) because it would be gathered from their families if selected. In this way, double counting of such individuals was avoided.

Survey content and reference period

With a few exceptions, the reference period for the information was the time of data collection (May to July 2005). For the asset and debt information respondents were asked to provide an estimate of the value or amount as close to the survey date as possible, recognizing that their most recent statement may have been as of the end of the previous calendar year, or for the last financial quarter.

Some of the information was collected for each person in the family 15 years of age and over. The assets and debts, however, were collected for the family as a whole, because they often cannot easily be assigned to one person in the family. Specifically, the following information was collected:

From each family member 15 years of age and over:

- demographics (age, sex, marital status);
- ethno-cultural characteristics;
- education;
- current employment;
- income, for the calendar year 2004.

From each family member 25 years of age and over:

- previous employer pension plans
- pension plan benefits

From each family member 45 years of age and over:

- retirement information

For the family unit as a whole:

- financial and non-financial assets;
- equity in business;
- debt in the form of mortgages, vehicle loans, credit card and line of credit debt, student loans and other debt.
- distribution of registered plans investments
- distribution of mutual funds investments

A detailed list of the asset and debt items can be found in Appendix B, Concepts and Variables Measured.

The sample

The total sample for the 2005 Survey of Financial Security was 9,000 dwellings; it was drawn from two sources.

The main sample, drawn from an area frame, consisted of 7,500 dwellings. This area sample was a stratified, multi-stage sample selected from the Labour Force Survey (LFS) sampling frame. Dwellings selected for this survey had not previously participated in a labour force or financial survey conducted by Statistics Canada. Sample selection comprised three steps: the selection of clusters (small geographic areas) from the LFS frame, field listing of all addresses within each selected cluster, and the selection of dwellings within these selected clusters. At the time that the SFS sample was selected the LFS frame was using 2001 Census geography.[9]

The second portion of the sample, 1,500 families, was drawn from geographic areas in which a large proportion of family units had what was defined as "high-income". This sample was included to improve the representation in the sample of high income families, as a disproportionate share of net worth is held by such higher-income family units. For purposes of this sample the income cutoff was total family income of at least $200,000 or investment income of at least $50,000. The latter was used to take into account those family units that may not have high income from employment but have substantial assets that generate investment income.

Data collection

The 2005 Survey of Financial Security was conducted from May to July 2005. Data were collected during a personal interview using a paper questionnaire.

For families, the interview was held with the family member with most knowledge of the family's financial situation. If necessary, follow-up was done with other family members. Proxy response was accepted. This allowed one family member to answer questions on behalf of any or all other members of the family, provided he or she was willing and able to do so.

To reduce response burden, for the questions on 2004 income, respondents could give Statistics Canada permission to use the income information from their T1 tax return. Close to 80% of survey respondents gave their consent to use these administrative records.

Data processing and quality control

In-house scanning software was used to capture survey data from the questionnaire. A quality control operation was applied to ensure that pre-specified quality standards were achieved. Data then passed through an automated edit system to identify inconsistencies and potential errors in the data.

Imputation of missing data

Missing responses were imputed for all key fields in the questionnaire that were also imputed in the 1999 survey. Where possible, information was imputed deterministically, using other information reported by the respondent. For example, when the respondent could not estimate the value of their vehicle, the reported make, model and year was used to impute a value. This value was determined by consulting a reference book. When deterministic imputation was not possible, hotdeck imputation methods were used in most cases, and for all components of income and net worth, nearest neighbour techniques were employed. These methods involve identifying another individual or family with similar characteristics to become the "donor" and provide the imputed value. Income data obtained from tax returns are considered complete and thus do not require imputation.

The following table indicates the percentage of the value of each asset and debt item that was determined through imputation.

9. A detailed description of the Labour Force Survey sampling frame can be found in *Methodology of the Canadian Labour Force Survey*, Statistics Canada, catalogue No. 71-526-XPB.

Table A1 Imputation of missing data

	Assets or debts (after imputation)[1]	Imputed[1]
	%	%
Assets	100	25
Pension assets	...	...
RRSPs / LIRAs / RRIFs / other	11	9
Employer pension plan (EPP)[2]	...	...
Financial assets, non-pension	10	14
Deposits in financial institutions	4	12
Mutual funds/investments funds/income trusts	2	12
Stocks	2	15
Bonds	1	13
Other financial assets	1	17
Non-financial assets	50	4
Principal residence	33	4
Other real estate	9	7
Vehicles	3	1
Other non-financial assets	5	3
Equity in business	11	16
Debts	100	3
Mortgages	75	3
Principal residence	64	3
Other real estate	11	2
Line of credit	9	4
Credit card and instalment debt	3	3
Student loans	3	3
Vehicle loans	6	5
Other debt	4	1
Net worth	...	28

1. This means, for example, that the principal residence (the home) constituted 33% of total assets and that 4% of the total amount for principal residence was imputed
2. For employer pension plans, all values have been derived and not imputed. See section **Valuing employer pension plan benefits** in this Appendix.

Weighting

The estimation of population characteristics from a survey is based on the premise that each sampled unit represents, in addition to itself, a certain number of unsampled units in the population. A basic survey weight is attached to each sample record to indicate the number of units in the population that it represents. Two types of adjustment are then applied to the basic survey weights in order to improve the reliability of the estimates.

The basic weights are first inflated to compensate for non-response. This adjustment was applied within groups of sample units that are geographically close and the two samples were adjusted separately.

The non-response adjusted weights are then further adjusted to ensure that estimates of relevant population characteristics would respect known population totals from sources external to the survey. The population totals used for the SFS were based on Statistics Canada's Demography Division population counts for different province - age - sex groups. The weights were also adjusted to ensure that the number of 1-person and 2-person families, and the number of 1-person and 2-person family units agreed with known totals by region.

Additionally in 2005, two new sources of weight adjustments were introduced. The first adjustment was based on administrative data from the T4 file. Weight adjustments were made to ensure that the survey distribution of earnings reflected approximately the same distribution as the T4 population. The second new adjustment made use of Survey of Labour and Income Dynamics (SLID) data to improve estimation. SFS as the smaller sample survey borrowed strength from SLID, the larger sample survey to not only improve SFS estimates but also to bring estimates for the 2 surveys more in line with each other.

Response rates

The overall response rate for the 2005 Survey of Financial Security was 67.7%. The following table gives a breakdown by province for the area sample and the high-income sample.

Table A2 Response rates by province

	Area sample	High income sample	Overall
	%	%	%
All provinces	**71.2**	**51.0**	**67.7**
Newfoundland	74.4	48.8	70.4
Prince-Edward Island	79.3	58.8	76.6
Nova Scotia	71.6	57.4	69.8
New-Brunswick	74.4	70.2	73.8
Quebec	73.2	51.9	69.9
Ontario	64.4	48.2	60.9
Manitoba	74.4	47.6	70.7
Saskatchewan	76.2	46.2	73.6
Alberta	74.2	54.1	69.7
British-Columbia	72.6	49.0	69.4

Response rates are lower than for the 1999 survey, which had an overall response rate of 75.7%. Response rates for the high income sample were quite low (51.0%).

Data accuracy

Sampling error

Sampling errors are important because inferences about the entire population are based on information obtained from only a sample of the population. Sample estimates usually differ from those that would be obtained if information were collected from the whole population. Errors due to the extension of conclusions based on the sample to the entire population are known as sampling errors. The sample design, the variability of the population characteristics measured by the survey, and the sample size determine the magnitude of the sampling error. In addition, for a given sample design, different methods of estimation will affect the levels of sampling error.

Standard error and coefficient of variation

A common measure of sampling error is the standard error (SE). The standard error measures the degree of variation introduced in estimates by selecting one particular sample rather than another of the same size and design. The standard error may also be used to calculate confidence intervals associated with an estimate *(Y)*. Confidence intervals are used to express the precision of the estimate. It has been demonstrated mathematically that, if the sampling were repeated many times, the true population value would lie within the *Y +/- 2SE* confidence interval 95 times out of 100 and within the narrower confidence interval defined by *Y +/- SE*, 68 times out of 100. Another important measure of sampling error is given by the coefficient of variation, which is computed as the estimated standard error as a percentage of the estimate *Y* (i.e. 100 x SE / Y).

To illustrate the relationship between the standard error, the confidence intervals and the coefficient of variation, let us take the following example. Suppose that the estimated median net worth from a given source is $10,000, and that its corresponding standard error is $200. The coefficient of variation is therefore equal to 2%. The 95% confidence interval estimated from this sample ranges from $9,600 to $10,400, i.e. $10,000 +/- $400. This means that with a 95% degree of confidence, it can be asserted that the median net worth of the target population is between $9,600 and $10,400.

The bootstrap approach, a pseudo-replication technique, is used for the calculation of the standard errors of the estimates presented in this publication. For more information on standard errors and coefficients of variation, refer to the Statistics Canada publication (Catalogue 71-526-XPB), *Methodology of the Canadian Labour Force Survey*.

Standard errors and coefficients of variation of the estimates are available on request.

Data suppression

Data reliability of the survey estimates has been assessed based on the calculated coefficients of variation. Estimates with a coefficient of variation less than 33% are considered reliable for general use. Estimates with coefficients of variation greater than 33% are deemed to be unreliable. For estimates of net worth in this survey, CVs greater then 33% generally occur when the sample size contributing to an estimate is less than 25. Consequently, data are suppressed where cell counts are less than 25. This affects the level of detail in published tables and, in particular, limits the availability of regional statistics.

Non-sampling errors

Non-sampling errors occur because certain factors make it difficult to obtain accurate responses or responses that retain their accuracy throughout processing. Unlike sampling error, non-sampling error is not readily quantified. Four sources of non-sampling error can be identified: coverage error, response error, non-response error, and processing error.

a. Coverage errors

Coverage errors results from inadequate representation of the intended population. Such errors may occur during sample design or selection, or during data collection and processing.

b. Response errors

Response errors may be due to many factors, such as faulty questionnaire design, interviewers' or respondents' misinterpretation of questions, or respondents' faulty reporting. Great effort is invested in the SFS to reduce the occurrence of response error. Measures undertaken to minimize response errors include the use of highly-skilled and well-trained interviewers, and supervision of interviewers to detect misinterpretation of instructions or problems with the questionnaire design. Response error can also be brought about by respondents who, willingly or not, provide inaccurate responses.

Questions about the value of assets and the amount of debt can be particularly prone to misreporting, as they are very sensitive questions and the respondents may not be able or willing to provide an answer. As well, because proxy response was accepted, one family member may have provided information for another family member, believing that information to be accurate; that may not always have been the case. When providing information for the survey, respondents were encouraged to consult financial records, or other family members, as often as required.

c. Non-response errors

Non-response error occurs in sample surveys because not all potential respondents cooperate fully. The extent of non-response varies from partial non-response to total non-response.

Total non-response occurs when the interviewer was either unable to contact the respondent, no member of the economic family was able to provide information, or the respondent refused to participate in the survey. Total non-response is handled by adjusting the basic survey weights for responding economic families to compensate for non-responding economic families. For the 2005 Survey of Financial Security the overall response rate was 67.7%.

In most cases, partial non-response occurred when the respondent did not understand or misinterpreted a question, refused to answer a question, or could not recall the requested information. Imputing missing values compensates for this partial non-response.

The importance of the non-response error is unknown but in general this error is significant when non-respondents differ significantly from respondents with respect to particular characteristics that are important determinants of survey results.

d. Processing errors

Processing errors may occur in any of the data processing stages, for example, during data entry, coding, editing, imputation, weighting, and tabulation. To minimize errors, diagnostic tests are carried out periodically to ensure that expected results have been obtained.

Treatment of large values

For any sample, estimates can be affected disproportionately by the presence or absence of extreme values from the population. In an asset and debt survey, a few extreme values are expected in the sample, as valid extreme values do exist in the population. Values outside defined bounds were identified and reviewed in relation to other information reported for that respondent. If the value was judged to be the result of a reporting or processing error, it was adjusted. Otherwise, it was retained.

Impact of sampling and non-sampling errors on SFS estimates

Due to the combined effect of these errors, the quality of net worth data is judged to be lower than the quality of income data. This is largely because records of the current value of assets and the outstanding amount of debt are not as readily available as records of income. For example, respondents with numerous bank accounts and investments may receive several different statements, with different reference periods. Compiling this information can be difficult. Most income information, on the other hand, would be available in one document, if the respondent had completed an income tax return for the year in question.

Direct comparisons with outside sources, such as the Financial and Wealth Accounts of the System of National Accounts, are difficult to make due to definitional, coverage and treatment differences. However, based on rough comparisons the following general conclusions can be drawn:

(a) SFS appears to underestimate some net worth components, particularly financial assets and consumer debt.
(b) The quality of estimates of real assets (e.g., owner-occupied homes, vehicles) is much better than that of financial assets.

Valuing employer pension plan benefits

An estimate of the value of employer pension plan benefits has been done for the following groups:

a) persons who belonged to an EPP at the time of the survey (referred to as current plan members),

b) persons who had previously belonged to an EPP and either left the money in the plan or transferred it to a new plan[10],

c) persons who are receiving EPP benefits.

The value that has been estimated is not the amount that would be received (either monthly or annually), it is the estimated amount of money that would be required to pay for the benefit earned up to the time of the survey throughout the person's retirement. Estimating the value of these benefits is a complex process. Because of the large number of people for whom estimates were made and the large variation in EPP provisions, it was important to simplify the process as much as possible. Despite this, the estimate for each person takes into account their earnings, length of membership in the plan, age (where appropriate) and "simplified" plan provisions. For that reason it is felt that the estimate is a fair reflection of the value of their benefit.
The value that has been estimated is that of the individual's EPP benefit and does not include the value of their Canada or Quebec Pension Plan benefits. In this report the benefits that are, or will be, received from these government plans have been taken into consideration from the perspective of income rather than assets.

The methodology for estimating the value of the benefit was proposed by Hubert Frenken and Michael Cohen. The former had many years of experience with Statistics Canada working with data on employer pension plans; the latter was a principal with the actuarial consulting firm William M. Mercer. The proposed methodology was described in a discussion paper that was released in February 2001. This paper presented and sought feedback on the proposed methodology for estimating the value of these benefits. It was sent to approximately 60 people and was also made available though the Statistics Canada Daily. Suggestions for modifications to the methodology were received from a few organizations. Changes to the methodology were made as a result of these suggestions.

10. These are referred to as deferred pensions. Estimates do not have to be made for persons who took the money out of the plan as this amount would either be part of their current assets or it would have been spent.

Examples and a detailed description of the methodology that was used to value EPP benefits can be found in *Survey of Financial Security – Methodology for estimating the value of employer pension plan benefits.* It can be found on the Statistics Canada website (www.statcan.ca).

There are two commonly used approaches to valuing EPP assets: the going concern and the termination approach. The main differences between the two valuation methods are:

(a) Although future service is not considered in either type of valuation, in a going concern valuation assumptions are made about future salary increases. As many EPPs base the amount of the pension on average earnings close to the time of retirement, assuming salary increases up to that time will obviously increase the value of the benefit. In a termination valuation, salary increases are not considered.

(b) Interest rates for a termination valuation are assumed based on current market rates. For a going concern valuation longer term interest rates are assumed.

(c) The going concern valuation method is applicable only for current members of certain types of EPPs. Those with deferred pensions (people who had previously belonged to an EPP) and those receiving benefits are no longer members of the plan so future salary increases need not be considered.

When analyzing SFS data the termination valuation approach is generally used. That approach is more consistent with the basis on which other assets are valued, in that future expectations are not taken into consideration and current market conditions are used to estimate the value. The termination approach, however, can underestimate the value of the benefit earned (accrued) as of the time of the survey because many employees will continue to participate in the plan, and therefore receive a pension based on their salary closer to the time of retirement. In order to allow users the option of selecting the value of the EPP that is most appropriate for their type of analysis both values have been produced and are available.

In valuing benefits for those respondents who belonged to a pension plan at the time of the survey, only plan membership up to the time of the survey has been considered. Therefore, in the case of a person who was 45 at the time of the survey and who had participated in an EPP for 10 years, the pension would be valued for the 10 years of known service.

Appendix B - Concepts and variables measured

Net worth

The net worth (sometimes referred to as wealth) of a family unit is defined as the difference between the value of its total asset holdings and the amount of total indebtedness[11].

Respondents were asked to provide the value of the asset or the amount of the debt at a time as close as possible to the date of the interview. Assets and debts were reported for the family unit as a whole and not for each person in the family. The assets and debts included in the survey are identified below.

Assets

Respondents were asked to report the market value of the asset, that, is the amount they would receive if they had sold the asset at the time of the survey. If available, respondents were encouraged to consult financial records. When the value could not be determined through an independent source, the respondent was asked to estimate the value. This is in itself prone to error. In the case of vehicles, respondents were asked to provide the make, model and year in addition to the estimated value. This information was used to impute for non-response and also to identify potential reporting errors. Values provided by respondents were not adjusted unless they were judged to be an error, resulting, for example, from data entry. If the respondent either over or underestimated the value of an asset by a relatively small proportion, this would not be readily apparent. However, extreme values were reviewed and adjusted if necessary.

The assets included in this report are categorized as follows:

Assets

Private pension assets
- RRSPs, LIRAs, RRIFs, other
- Employer pension plans

Financial assets, non-pension
- Deposits in financial institutions
- Mutual/investment funds/ Income trusts
- Stocks
- Bonds (savings and other)
- Other financial assets

Non-financial assets
- Principal residence
- Other real estate
- Vehicles
- Other non-financial assets

Equity in business

The value of all invested assets was to include accrued earnings or interest. Respondents were asked to estimate the actual value, at the time of the survey. In one case, for the value of the contents of the principal residence, the respondent was able to select one of 16 ranges.

The assets items identified above include:

11. Excluded from the concept of net worth in this report is the value of entitlements to future social security provided by the government in the form of Canada or Quebec Pension Plan or Old Age Security payments. Also excluded is the family's human capital measured in terms of the value of the discounted flow of future earnings for all family members.

Assets: Total value of all financial assets, non-financial assets and equity in business.

Bonds: Total value, including earnings, of federal and provincial savings bonds and other bonds issued by governments and corporations. Includes investment in foreign bonds but excludes the amount held within registered plans.

Deposits: The total amount, including interest, of all chequing and savings accounts with a non-zero balance and of other deposits such as term deposits and Guaranteed Investment Certificates. These amounts would generally be held in financial institutions such as chartered banks, trust companies, co-ops and caisses populaires. This item includes only the amount held outside of registered plans.

Employer pension plans (EPPs): Also referred to as a registered pension plan (RPP). An EPP is an employer-sponsored plan registered with Canada Customs and Revenue Agency and most commonly also with one of the pension regulatory authorities. The purpose of such plans is to provide employees with a regular income at retirement.

Equity in business: The estimated amount the respondent would receive if the business were sold, after deducting any outstanding debts to be paid.

Financial assets, non-pension: Includes deposits in financial institutions and other invested assets that are not held in a pension program such as an RRSP or RRIF.

Financial assets, other: Includes less commonly held financial assets such as treasury bills, mortgage-backed securities, money held in trust, annuities, money owed to the respondent and other miscellaneous financial assets. It also includes shares of privately held companies and financial assets held in registered plans other than RRSPs and RRIFs (e.g. RESPs).

Locked-in Retirement Account (LIRA): An RRSP in which the money is locked-in until the person reaches a specified age. Included in the category RRSPs and RRIFs. This money would have been transferred from an employer pension plan after the individual terminated employment. For the most part, LIRAs came into use in the late 1980s, when revisions to pension regulatory legislation provided for enhanced portability of pension accruals on termination of employment.

Mutual/investment funds: The total value, including investment earnings, of all holdings in mutual and investment funds. Excludes the amount held within registered plans.

Non-financial assets: Total value of the respondent's principal residence (home), other real estate, vehicles and other non-financial assets.

Non-financial assets, other: Includes the value of the contents of the respondent's principal residence (e.g., major appliances, furniture, electronic equipment), valuables and collectibles (e.g. antiques, jewellery, coin collections), copyrights, patents, etc.. The contents of the respondent's home were the only item for which a specific value was not requested. Because of the difficulty in estimating this value, respondents were asked to select from 16 ranges. The low point in that range is used in the estimate of net worth.

Principal residence (home): Market value, as estimated by the respondent, of the residence where the respondent lives. If the respondent has two residences, this would be the one where they most often live. If the respondent shares ownership of the home with someone outside the family, only the family's share is included. If the property is a farm, the estimated value of the farmhouse is included; the value of the farmland would be included either with business equity or with other real estate, if no business were reported.

Private pension assets: Includes money invested in RRSPs and RRIFs, the value of employer pension plan benefits and other pension generating assets such as deferred profit sharing plans and annuities.

Private pension assets, other: Includes money held in other pension-generating assets such as deferred profit sharing plans and annuities.

Real estate, other: Estimated market value of real estate other than the respondent's principal residence. Included would be second homes, vacation homes, timeshares, rental property (residential or non-residential) or vacant lots. Includes property in Canada or outside.

Registered pension plan (RPP): See employer pension plan.

Registered Retirement Savings Plans (RRSP): The value of all amounts held in RRSPs. This would also include the amount in self-directed plans. The RRSP could be held in deposits, mutual funds, stocks or bonds. A breakdown of the investments within the RRSP was not requested for SFS. As well, this includes the amount held in Locked-in retirement accounts (LIRAs); see definition above.

Registered retirement income funds (RRIFs): A fund intended to provide a regular income in retirement. Monies in RRSPs must be transferred to a RRIF before the end of the year in which the owner of the RRSP turns 69. Payments from an RRIF may be varied, but a minimum amount must be withdrawn annually. Also includes monies in locked-in retirement income funds (LRIFs) and life income funds (LIFs); these plans are intended to receive amounts transferred from an employer pension plan.

Stock: Total value, including earnings, of all publicly-traded common and preferred shares. Includes foreign stock but excludes the amount held within registered plans.

Vehicles: Estimated value of cars, trucks, vans, sport utility vehicles as well as motorcycles, mobile homes, boats and snowmobiles. Excludes vehicles owned by the respondent's business and vehicles that are leased.

Debts

Debts are categorized as follows in this report:

Debts
Mortgage
- Principal residence
- Other real estate
Line of credit
Credit card and instalment debt
Student loan
Vehicle loans
Other debt

The amount reported for debts is not intended to include interest owing, as this would most often not be known.

Debt items listed above include:

Credit card and instalment debt: For credit cards, the amount owing on the last bill, excluding any new purchases. Includes major credit cards (VISA, Mastercard, American Express, Diners Club/en Route) and retail store cards, gasoline station cards, etc. Instalment debt is the total amount owing on deferred payment or instalment plans where the purchased item is to be paid for over a period of time.

Debt other: Includes the amount owing on other loans from financial institutions, unpaid bills, etc.

Line of credit (LOC): Total amount owing on both a home equity line of credit and a regular line of credit. This does not refer to the credit limit on the LOC.

Mortgage, on principal residence: Outstanding amount owing on the respondent's principal residence. If the respondent shares ownership of the home with someone outside the family, only the family's share of the mortgage is included. If the property is a farm, the mortgage owing on the farmhouse is included; the mortgage on the remainder of the farm would implicitly be included with business equity or would be included with mortgage owing on other real estate, if no business were reported.

Mortgages, on other real estate: Respondent's share of the mortgage owing on second homes, vacation homes, timeshares, rental property (residential or non-residential) or vacant lots.

Mortgages: Total amount owing on all mortgages, both for the respondent's principal residence and any other real estate they may own.

Student loans: Amount owing on loans taken out to attend a post secondary education program. These loans are most often taken through the Canada Student Loan Program or one of the provincial student loan programs. This item also includes amounts owing on loans taken directly from a financial institution to attend school.

Vehicle loans: Amount owing on loans for those vehicles listed under assets.

Family type

In this report, family types are categorized as follows:

All family units

Economic families of two or more

- Elderly families
- Non-elderly families
  - Couples only, no children at home
  - Couples with children under 18
  - Other non-elderly families

Unattached individuals

Within this classification, the following definitions apply:

Couples: Couples include legally married, common-law and same-sex relationships.

Couples with children: Couples living with a child or children (by birth, adopted, step, or foster) under age 18. Children aged 18 or over are considered to be "other relatives". Other relatives may also be in the family.

Economic family: An economic family is defined as a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common-law or adoption.

Elderly/elderly families: Person aged 65 and over. In the case of elderly families, the major income recipient is aged 65 and over.

Family units: Includes economic families of two or more and unattached individuals.

Lone-parent families: One parent living with at least one child under age 18. Families where the parent is 65 years and older are excluded.

Other non-elderly families: Couples living with a child or children (biological, adopted, step, or foster) aged 18 or over and/or with other relatives, but not living with a child or children under the age of 18. Also includes lone parent families (with children of all ages) and related persons (e.g., siblings, cousins) living together.

Unattached individual: An unattached individual is a person living either alone or with others to whom he or she is unrelated, such as roommates or a lodger.

Other concepts

Average (mean)

The average or mean is computed as the total or "aggregate" divided by the number of units in the population. The drawback to the use of the average is that because everyone's value is counted, the mean is sensitive to extreme values: unusually high values will have a large impact on the estimate of the average, while unusually low ones, i.e. highly negative values, will drive it down.

Current dollars versus constant dollars

"Current dollars" are what we usually mean when we refer to a currency in the current time period. The term "constant dollars" refers to dollars of several years expressed in terms of their value ("purchasing power") in a single year, called the base year. This type of adjustment is done to eliminate the impact of widespread price changes. Current dollars are converted to constant dollars using an index of price movements. The most widely used index for family incomes, provided that no specific uses of the income are identified, is the Consumer Price Index (CPI), which reflects average spending patterns by consumers in Canada.

To convert current dollars of any year to constant dollars, divide them by the index of that year and multiply them by the index of the base year you have chosen. (The numerator must contain the index value of the year you want to move to.)

Using the CPI, to convert $10,000 in 1999 would be $11,520 in 2005 constant dollars ($10,000 X 127.3/110.5 = $11,520).

Consumer Price Index, annual rates, 1992=100

1999	110.5
2005	127.3

Debt/asset ratio

Relationship between total debts and total assets, calculated by dividing total debts by total assets. If debts are lower than assets, the number will be less than one; if they are higher the number will be greater than one. For example if a family has debt of $2,000 and assets of $20,000 the debt-to-asset ratio will be $2,000/$20,000 or 0.1.

EPP coverage rate

Percentage of paid workers covered by a Employer-sponsored Registered Pension Plan (EPP). Paid workers include employees and self-employed persons with an incorporated business. To calculate the pension plan coverage rate of Canadian workers, membership data from the Pension Plan in Canada Survey are divided by the number of paid workers statistics from the Labour Force Survey plus members of Canadian Forces.

Major income recipient or earner

For each family, the major income recipient is the person with the highest income before tax. For persons with negative total income before tax, the absolute value of their income is used, to reflect the fact that negative incomes generally arise from losses "earned" in the market-place and are not meant to be sustained. In the rare situations where two persons have exactly the same income, the older person is the major income recipient.

Median

The median is the value at which half of the units in the population have lower values and half have higher. In this report median is most often used as a measure of net worth; it can be used with other values as well, for example, income. To derive the median value of net worth, units are ranked from lowest to highest according to their net worth and then separated into two equal-sized groups. The value that separates these groups is the median net worth. It corresponds to the 50th percentile.

Because the median corresponds exactly to the mid-point of the net worth distribution, it is not, contrary to the mean, affected by extreme net worth values.

Since net worth distributions are typically skewed to the left - that is, concentrated at the low end of the scale - median net worth is usually lower than average net worth.

Quintiles and deciles

Net worth quintiles are a convenient way of categorizing units of a given population from lowest net worth to highest net worth for the purposes of drawing conclusions about the *relative* situation of people at either end or in the middle of the scale. Rather than using fixed ranges, as in a typical distribution, it is the size of each population group that is fixed.

First, all the units of the population, whether unattached individuals or families, are ranked from lowest to highest by the value of their net worth. Then the ranked population is divided into five groups each containing an equal numbers of units; each group is called a quintile. Analogously, dividing the population ranked by net worth into ten groups, each comprising the same number of units produces deciles.

Quintiles and deciles can also be calculated for other values, such as income. In this case, unattached individuals or families are ranked from lowest to highest by the value of their income.